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Govt awaits IMF nod to unveil first industrial policy

NIP targets $60bn exports by 2030; identifies high costs, weak regulation and uneven taxation as key hurdles

By Kalbe Ali

ISLAMABAD: The government has presented the country's first National Industrial Policy (NIP) to the federal cabinet for approval, outlining major constraints to industrial growth and proposing reforms to revitalise the manufacturing sector. However, the Ministry of Finance has asked the Ministry of Industries and Production to first seek the IMF's clearance for the incentives proposed under the new policy.

Officials said a meeting between IMF representatives and a team led by Special Assistant to the Prime Minister on Industries and Production Haroon Akhtar Khan is expected later this month to discuss the annual fiscal cost of the incentives planned for various sectors.

The policy targets $60 billion in exports by 2030, GDP growth of 6pc and manufacturing growth of 8pc annually by the end of the decade. It aims to provide a roadmap for industrial competitiveness, job creation and export expansion.

Key constraints

The NIP identifies a range of structural and policy-related challenges impeding industrial growth. These include macroeconomic instability, policy uncertainty, costly industrial land, excessive regulation, unreliable and expensive power supply, and limited access to long-term credit.

The ministry said local industries face high borrowing costs and limited access to capital markets. Weak investor protection and an inadequate insolvency framework have further discouraged lending, leaving banks with few tools to restructure loans.

The policy notes that uneven taxation across sectors discourages industrial investment. While manufacturing bears a heavier tax burden, sectors such as real estate, construction, wholesale and retail remain undertaxed, reducing returns on industrial ventures.

Manufacturing firms also face foreign exchange constraints, with frequent delays in accessing dollars for importing raw materials. In some cases, foreign investors struggle to repatriate profits, deterring foreign direct investment.

The NIP highlights weak standards compliance, which hampers exports, and calls for reforms to improve product quality and certification systems. It also stresses the need for inclusive industrialisation, noting that women remain largely excluded from industrial entrepreneurship and management.

"Women remain at the periphery and suffer from a sense of not belonging. This needs to change, and more women industrialists must be promoted," the document states.

The policy proposes a predictable and transparent taxation regime consistent with IMF-backed reforms. It recommends widening the tax net and ensuring that all sectors contribute proportionately to their share of value-added in GDP.

The NIP also calls for the review and simplification of corporate income tax (CIT), currently set at 29pc, higher than the regional average of 26pc, which affects export competitiveness. The super tax, levied in addition to the CIT, should also be reassessed to ease the burden on industries, the document says.

Structural measures

To support struggling firms, the policy proposes setting up a National Industrial Revival Commission (NIRC) to oversee company rehabilitation and coordinate regulatory support.

It further calls for strengthening intellectual property rights (IPR) through accession to the Patent Cooperation Treaty and enhancing the enforcement capacity of the Intellectual Property Organisation of Pakistan (IPO) to counter counterfeiting and piracy.

Reducing port charges, particularly those levied by the Karachi Port Trust (KPT) and Port Qasim Authority (PQA) — among the highest in the world — is also recommended to improve export competitiveness.

Officials said the policy, once approved, will serve as a framework for industrial transformation through improved governance, fiscal discipline and an enabling environment for private investment. However, its implementation will depend on IMF endorsement of the incentive package, given Pakistan's commitments under the ongoing economic stabilisation programme.

Auto industry gears up for policy battle

New policy to align with IMF-backed tariff reforms

By Aamir Shafaat Khan

KARACHI: As the current auto policy nears its expiry in June 2026, the government is finalising the Auto Industry Policy 2026-31, with the Engineering Development Board (EDB) holding extensive consultations with vehicle assemblers, parts vendors and importers of used vehicles.

Officials said the new policy will align with the National Tariff Policy (NTP), introduced under Pakistan's current $7 billion Extended Fund Facility with the International Monetary Fund, which caps tariff rates on finished goods at 15pc and calls for the removal of concessionary SROs. The move marks a shift towards a more open, market-driven automotive sector.

At the same time, the government has allowed the commercial import of used vehicles and is likely to continue baggage and gift schemes for overseas Pakistanis — a mechanism local assemblers allege is being misused by traders for commercial imports. The rising influx of used vehicles, often undervalued at customs, has intensified competition for locally assembled models.

Assemblers vs parts manufacturers

Industry insiders say a rift has emerged between automakers and parts manufacturers. Nine out of 11 local assemblers — representing 15 global brands from Japan, China and South Korea — have jointly proposed lowering duties and taxes to ensure fair competition with used imports, reduce prices and expand the market.

These assemblers suggest capping duties on completely knocked down (CKD) kits and localised parts at 10pc or less, and scrapping duties on safety-related components. They argue that more than 50pc of a vehicle's price comprises government duties and taxes, making affordability impossible without tariff rationalisation. Localisation, they contend, should only continue where it enhances global competitiveness.

In contrast, two major Japanese assemblers and several parts manufacturers favour retaining high tariff protection, lobbying for rates as high as 35pc on localised components. Policymakers, however, view this approach as protectionist and counterproductive, saying it has discouraged exports, limited product diversity and allowed outdated models to persist.

Officials involved in the policy process said the government has made clear that prolonged protection is no longer sustainable. Ministries have asked long-established assemblers and vendors to justify how decades of localisation have benefited consumers. Despite claims of high local content, many models remain uncompetitive internationally and fall short of global safety and emission standards.

Localisation and export gap

According to Topline Securities, Indus Motor Company (IMC) reported over 60pc localisation in Corolla, Cross and Yaris models, and 40-50pc in Hilux and Revo due to lower volumes. Honda Atlas Cars Ltd (HACL) said localisation stands at over 60pc for Civic, 73pc for City, and below 50pc for BR-V and HR-V. Pak Suzuki Motor Company Ltd (PSMCL) — delisted from the Pakistan Stock Exchange in 2024 — had earlier reported localisation of 35pc for Swift, 51pc for Cultus and 62pc for Alto 660cc. Discontinued models such as WagonR, Bolan and Ravi had local content of 61pc, 72pc and 69pc, respectively.

Despite these claims, data show that none of these models have recorded significant exports in the past five years, raising questions about the effectiveness of localisation as a development strategy.

Diplomatic sources said Japan lodged a WTO complaint against Pakistan's proposal to link tariff benefits with export performance — a condition local policymakers argue is necessary to ensure accountability for long-term incentives.

New entrants and policy outlook

New entrants in the market have introduced hybrid and plug-in hybrid vehicles, enhanced safety features, and globally competitive designs, while also starting small-scale exports of locally assembled units. Their success has strengthened the case for tariff rationalisation and a level playing field.

Analysts note that the current policy has already broken long-standing monopolies and diversified consumer choice. The next phase, they argue, should focus on improving competitiveness rather than continuing protection for legacy players.

A UN report highlights Pakistan's potential for affordable green energy, stressing the need for grid modernisation and a just, policy-driven coal phase-down.—APP/file

Pakistan must expand grid for renewables: UN

Solar and wind can cut power costs, but weak infrastructure may slow carbon-free transition

By Amin Ahmed

ISLAMABAD: Pakistan's abundant solar and wind potential positions it well to transition towards affordable, carbon-free electricity, but weak grid infrastructure remains a major obstacle, a United Nations report has warned.

According to the 2025 Review of Climate Ambition in Asia and the Pacific, released by the UN Economic and Social Commission for Asia and the Pacific (UN-ESCAP), Pakistan needs significant investment and coordination to upgrade and expand its grid network to integrate large-scale renewable energy while maintaining system stability.

The report says that a successful phase-down of coal in Pakistan will require a comprehensive energy transition plan with clear targets, strong policies and engagement of all stakeholders. The transition, it adds, must be "just" to avoid disproportionate impacts on workers, businesses and households.

Renewable edge over coal

The UN report highlights that solar and wind energy are now cost-competitive with coal, giving Pakistan an opportunity to accelerate its shift towards cleaner energy. Data from the SDG-7 Roadmap for Pakistan show that the Levelised Cost of Electricity (LCOE) for solar and wind generation is significantly lower than that of coal-based power.

The energy landscape, the report notes, is evolving as global pressure to cut emissions increases. However, Pakistan's transition will depend on long-term policy stability, financial support and institutional reforms that encourage private investment in renewables.

Regional context

The report places Pakistan's situation within a broader Asia-Pacific context, describing the region as being at a "critical juncture" amid accelerating economic growth and intensifying climate pressures. Economic activity in the region expanded 4.6pc in 2024, contributing 60pc of global GDP growth over the past decade. Yet, rising debt, climate change and biodiversity loss continue to expose countries to mounting risks.

Despite these challenges, the Asia-Pacific has maintained its position as a global leader in renewable energy, accounting for 70pc of new capacity additions in 2024. Governments are increasingly adopting net-zero targets, revising climate policies and integrating them into Nationally Determined Contributions (NDCs) to meet emission-reduction goals.

Policy and carbon pricing reforms

To translate these commitments into action, countries are reinforcing their legal and regulatory frameworks to attract investment in clean energy. The report says private companies also have a crucial role in implementing deep decarbonisation strategies across their operations and supply chains.

The region remains heavily reliant on coal, producing 84pc of the world's coal-fired power in 2024 and consuming 81.7pc of global coal output in 2023. The UN stresses that phasing down coal will require strong political commitment, removal of fossil fuel subsidies and coordinated policy frameworks to support renewable growth and energy efficiency.

PQA told to speed up sugar unloading

By Our Staff Reporter

ISLAMABAD: The Ministry of Maritime Affairs has launched measures to address congestion at Port Qasim, where slow unloading of sugar consignments has disrupted port operations and delayed cement and clinker exports.

A high-level meeting chaired by Federal Minister for Maritime Affairs Muhammad Junaid Anwar Chaudhry reviewed the situation and its impact on export activities. Officials said sugar unloading was occurring at rates well below the port's operational capacity, creating a backlog of vessels and slowing overall turnaround times.

Senior officials present included Secretary Maritime Affairs Syed Zafar Ali Shah, Secretary Commerce Jawad Paul, Chairman Port Qasim Authority (PQA) Rear Admiral (Retd) Syed Moazzam Ilyas, Acting Chairman Karachi Port Trust (KPT) Rear Admiral Atiq-ur-Rehman, Chief Executive Officer of the Trading Corporation of Pakistan (TCP) Syed Rafeo Bashir Shah, Technical Adviser Maritime Affairs Commodore (Retd) Muhammad Jawad Akhtar, and representatives of the Cement Exporters Association, led by Arif Habib.

The meeting was told that despite directives from the Prime Minister's Office to divert up to 60pc of sugar imports to Gwadar Port to ease pressure on Karachi's terminals, most shipments continued to arrive at Port Qasim. Participants discussed ways to improve vessel scheduling, berthing priorities, and coordination among state importers to prevent recurring delays.

The minister instructed the PQA to increase the pace of sugar discharge to match the port's capacity of 4,000-4,500 tonnes per day, stressing that efficient handling was critical to avoid disrupting export operations.

KCCI, LCCI join forces to tackle economic crisis

KARACHI: Karachi Chamber of Commerce and Industry (KCCI) and Lahore Chamber of Commerce and Industry (LCCI) have agreed to strengthen collaboration to support Pakistan's economic revival. The decision follows similar cooperation by the Federation of Pakistan Chambers of Commerce and Industry (FPCCI).

During a meeting at KCCI on Saturday, KCCI President Rehan Hanif and LCCI President Faheem ur Rehman Saigol highlighted that inconsistent policies and neglect of the private sector could further weaken the economy.

Mr Saigol said Pakistan's economy survives due to its natural and human resources, but mismanagement undermines its potential. "KCCI and LCCI are aligned in seeking a rightful role in policymaking. Legislation should be developed in consultation with the business community, which understands how tax collection can be more effective," he added, stressing the need for a unified business voice.

Vice Chairman of the Businessmen Group (BMG), Anjum Nisar, said coordinated efforts by KCCI and LCCI, which represent over 90pc of Pakistan's economic activity, would carry significant weight and push the government to address critical concerns, including shortages and rising costs of water, gas, and electricity.—Staff Reporter

Trade gap with Middle East narrows in first quarter

Oil purchases from GCC ease as Pakistan diversifies energy sources

By Mubarak Zeb Khan

ISLAMABAD: Pakistan's trade deficit with Middle Eastern countries contracted by 3.99 per cent in the first quarter of FY26, mainly due to a simultaneous decline in imports and exports, according to data released by the State Bank of Pakistan (SBP).

The trade gap with the region fell to $3.558bn during July-September FY26, from $3.706bn in the same period last year. In contrast, the deficit had widened 7.37pc to $13.974bn in FY25, compared to $13.014bn a year earlier.

Imports from the Middle East dropped 5.48pc to $4.274bn in the first quarter, from $4.522bn in the corresponding months of last year. The decline largely reflected lower oil imports, particularly from the United Arab Emirates (UAE), as Pakistan began sourcing crude from the United States under a new energy arrangement.

Exports to the region fell 12.19pc to $715.63m, compared to $815.04m a year earlier. In FY25, exports had slipped 1.52pc to $3.107bn, while imports rose 5.64pc to $17.081bn, widening the annual trade gap.

Islamabad recently signed a free trade agreement (FTA) with the Gulf Cooperation Council (GCC), aimed at improving market access for Pakistani products and addressing the persistent imbalance in regional trade.

Country-wise performance

Exports to Saudi Arabia fell 8.94pc to $160.24m in July–September FY26, from $175.99m in the same period last year, while imports from the kingdom dropped 16.99pc to $884.01m, from $1.065bn.

Trade with the UAE showed mixed trends. Exports declined 12.95pc to $491.58m, from $564.72m, while imports rose 7.61pc to $2.163bn, from $2.010bn. Pakistan's main exports to the UAE include rice, bovine meat, cotton garments, guavas and mangoes.

Exports to Bahrain fell to $12.79m from $14.63m, while imports surged to $76.02m from $19.09m. Exports to Qatar declined to $23.63m from $33.18m, while imports dropped 12.21pc to $781.34m, from $890.07m. Exports to Kuwait edged up to $27.39m from $26.52m, but imports decreased to $369.84m, from $538.03m.

Officials say that while the quarterly data indicate a modest improvement, the overall trade balance with the Middle East remains heavily influenced by petroleum imports. Further progress will depend on Pakistan's ability to expand exports beyond traditional products and markets.

PSX extends weekly losses amid mixed economic indicators

Benchmark index lost over 2,000 points to settle below the 160,000-point barrier

By Muhammad Kashif

KARACHI: The Pakistan Stock Exchange (PSX) posted losses for the third consecutive week as foreign corporates and mutual funds took profits in a bearish market.

This decline follows a broader trend of investor uncertainty, fuelled by a combination of macroeconomic pressures, including rising inflation, a widening trade deficit, and sluggish domestic demand. However, the market showed signs of recovery on Friday, as investor sentiment improved amid positive developments, including higher-than-expected remittance inflows and a robust fiscal surplus for the first quarter of FY26.

Extending its weekly downtrend, PSX recorded a third consecutive week in negative territory, losing 2,039 points or 1.26pc. The KSE-100 index opened at 162,827, touched a high of 163,935, and hit a low of 158,253 before closing the week at 159,593.

The macroeconomic backdrop remained mixed throughout the week. The Consumer Price Index (CPI) for October registered a year-on-year increase of 6.2 per cent, the highest since October 2024, up from 5.6 per cent in September. This surge in inflation dampened sentiment, especially as investors braced for the impact of rising costs on both corporate profitability and consumer purchasing power.

In a similar vein, Pakistan's trade deficit widened to $3.2 billion in October, a 56 per cent year-on-year increase. However, it saw a slight month-on-month improvement, narrowing by 4pc from September. Exports, however, showed some resilience, increasing 14 per cent month-on-month, although they remained down 4.5pc compared to the same period last year.

On a positive note, remittances from overseas Pakistanis surged 12pc year-on-year to $3.42bn in October, offering some relief to the economy. This was compounded by a marginal increase in the rupee, which appreciated by 0.03 per cent to close at Rs280.8 against the US dollar.

Sector performance

Despite the challenging macroeconomic conditions, specific sectors showed resilience. The cement sector, for example, saw a notable year-on-year uptick in dispatches, rising by 7.3pc in October, driven by strong domestic demand. On the other hand, sales in the urea and DAP fertiliser segments contracted significantly — urea sales declined by 2pc. At the same time, DAP saw a sharp 55pc fall compared to the previous year, highlighting the continued weakness in agricultural demand.

Meanwhile, oil marketing companies (OMCs) saw a modest 2pc increase in overall sales, driven by a 4pc rise in high-speed diesel (HSD) demand, thanks to the ongoing Rabi sowing season. However, the overall performance of the PSX remained constrained by the uncertain macroeconomic environment, with average daily traded volumes dropping by 30 per cent week-on-week to 887 million shares.

Outlook for the week ahead

Analysts suggest the market may continue on a cautious path, with investor sentiment closely tied to developments regarding the International Monetary Fund (IMF) and the proposed constitutional amendments. According to Arif Habib Ltd (AHL), constructive progress on these fronts could bolster market confidence and support the potential for a recovery after this week's dip.

Further supporting the bullish case, analysts note that the KSE-100 index is currently trading at a price-to-earnings (P/E) ratio of 8.07x, slightly below its 15-year average of 8.59x. With an attractive dividend yield of approximately 6.0 per cent, the market remains an appealing proposition for long-term investors, particularly in the absence of compelling alternative investment avenues.

In summary, while the broader market sentiment remains cautious, the ongoing developments in Pakistan's economic and political landscape could serve as catalysts for a sustained recovery, provided key issues such as inflation and the trade deficit are addressed effectively.